

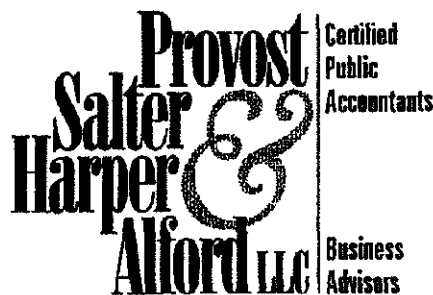
THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

FINANCIAL REPORT

December 31, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/5/07



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THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

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Certified
Public
Accountants

Business
Advisors

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Board of Directors
The Church United for Community Development

We have audited the accompanying statements of financial position of The Church United for Community Development (a nonprofit organization) as of December 31, 2006 and 2005 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of The Church United for Community Development as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2007 on our consideration of The Church United for Community Development's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope and testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Accounting Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of The Church United for Community Development taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

PROVOST, SALTER, HARPER & ALFORD, LLC

Provost, Salter, Harper & Alford, LLC

June 27, 2007

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Statements of Financial Position**December 31, 2006 and 2005**

ASSETS	2006	2005
Current Assets		
Cash and cash equivalents	\$ 154,869	\$ 127,070
Notes receivable	50,000	50,000
Contractual reimbursements receivable	16,339	36,060
Prepaid and other	10,731	21,781
Total current assets	231,939	234,911
Land, Buildings and Equipment		
Net of accumulated depreciation and amortization	837,315	626,192
Total Assets	\$ 1,069,254	\$ 861,103
LIABILITIES AND NET ASSETS		
Current Liabilities		
Notes payable and current maturities of long term debt	\$ 84,813	\$ 190,574
Accounts payable	-	5,142
Accrued expenses	65,265	1,158
Total current liabilities	150,078	196,874
Long term debt less current maturities	315,988	275,375
Net Unrestricted Assets		
Undesignated, available for general activities	166,674	228,611
Net investment in fixed assets	436,514	160,243
Total unrestricted net assets	603,188	388,854
Total Liabilities and Net Assets	\$ 1,069,254	\$ 861,103

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Statements of Activities**Years Ended December 31, 2006 and 2005**

	2006	2005
Unrestricted Net Assets		
Public Support and Revenue		
Contractual governmental support	\$ 781,624	\$ 363,084
Contributions	276,250	324,054
Other income	210,264	46,849
In kind contributions	54,940	74,147
Rental income	35,423	21,947
Interest income	5,630	14,572
Total Public Support	1,364,131	844,653
Expenses		
Program services		
Transitional Housing	43,677	87,639
Community Outreach	301,322	166,509
After School Tutoring	293,280	329,069
Literacy training	77,242	90,123
Employment training	386,014	13,143
Low income housing	36,247	25,954
Total program services	1,137,782	712,437
Supporting services		
Management and general	12,015	62,897
Total Expenses	1,149,797	775,334
Total Increase in Unrestricted Net Assets	214,334	69,319
Net Assets, Beginning of Year	388,854	319,535
Net Assets, End of Year	\$ 603,188	\$ 388,854

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Statement of Functional Expenses

Year Ended December 31, 2006

	Program Services							Supporting Services	
	Transitional Housing	Community Outreach	After School Tutoring	Literacy Training	Employment Training	Low Income Housing	Total Program Services	Management and General	Totals
Salaries and Related Benefits									
Salaries	\$ 25,810	\$ 42,370	\$ 146,282	\$ 33,885	\$ 214,405	\$ 4,170	\$ 466,922	\$ -	\$ 466,922
Employee health and retirement benefits	667	165	3,944	2,176	15,015	-	21,967	-	21,967
Payroll taxes and other	1,999	3,875	11,191	2,592	14,002	319	33,978	-	33,978
Total salaries and related benefits	28,476	46,410	161,417	38,653	243,422	4,489	522,867	-	522,867
Other Expenses									
Supplies	55	-	1,202	390	9,271	-	10,918	1,091	12,009
Travel and meetings	-	1,603	5,095	3,025	13,362	-	23,085	1,424	24,509
Rent and utilities	1,674	7,613	15,452	-	8,572	-	33,311	2,244	35,555
Interest	-	24,372	15	-	-	12,853	37,240	-	37,240
Insurance	5,145	1,538	3,163	365	6,908	3,203	20,322	1,968	22,290
Other expenses	3,201	159,155	70,501	8,612	56,453	5,681	303,603	3,878	307,481
Indirect cost allocated	5,126	35,365	34,422	9,066	45,306	4,254	133,539	1,410	134,949
Total other expenses	15,201	229,646	129,850	21,458	139,872	25,991	562,018	12,015	574,033
Total Expenses Before Depreciation and Amortization	43,677	276,056	291,267	60,111	383,294	30,480	1,084,885	12,015	1,096,900
Depreciation and amortization	-	25,266	2,013	17,131	2,720	5,767	52,897	-	52,897
Total Expenses	\$ 43,677	\$ 301,322	\$ 293,280	\$ 77,242	\$ 386,014	\$ 36,247	\$ 1,137,782	\$ 12,015	\$ 1,149,797

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Statement of Functional Expenses

Year Ended December 31, 2005

	Program Services							Supporting Services
	Transitional Housing	Community Outreach	After School Tutoring	Literacy Training	Employment Training	Low Income Housing	Total Program Services	
Salaries and Related Benefits								
Salaries	\$ 30,571	\$ 48,323	\$ 217,337	\$ 56,072	\$ 7,451	\$ -	\$ 359,754	\$ 35,847
Employee health and retirement benefits	-	-	4,521	552	-	-	5,073	-
Payroll taxes and other	2,554	4,034	16,626	4,130	570	-	27,914	-
Total salaries and related benefits	33,125	52,357	238,484	60,754	8,021	-	392,741	35,847
Other Expenses								
Supplies	740	5,172	6,054	-	2,498	-	14,464	-
Travel and meetings	696	2,473	4,846	1,344	2,624	-	11,983	-
Rent and utilities	9,651	23,384	27,649	2,856	-	-	63,540	27,050
Interest	-	19,413	-	-	-	13,386	32,799	-
Insurance	2,691	6,408	7,712	379	-	3,589	20,779	-
Other expenses	25,929	57,302	44,324	2,851	-	3,212	133,618	-
Total other expenses	39,707	114,152	90,585	7,430	5,122	20,187	277,183	27,050
Total Expenses Before Depreciation and Amortization	72,832	166,509	329,069	68,184	13,143	20,187	669,924	62,897
Depreciation and amortization	14,807	-	-	21,939	-	5,767	42,513	-
Total Expenses	\$ 87,639	\$ 166,509	\$ 329,069	\$ 90,123	\$ 13,143	\$ 25,954	\$ 712,437	\$ 62,897
								\$ 775,334

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Statements of Cash Flows**Years Ended December 31, 2006 and 2005**

	2006	2005
Cash Flows From Operating Activities		
Change in net assets	\$ 214,334	\$ 69,319
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	52,897	42,513
(Increase) decrease in:		
Contractual reimbursements receivable	19,721	14,679
Prepaid and other	11,050	(2,030)
Increase (decrease) in:		
Accounts payables	(5,142)	(29,976)
Accrued expenses	64,107	1,158
Net Cash Provided By Operating Activities	356,967	95,663
Cash Flows From Investing Activities		
Investments redeemed	-	40,000
Purchase of buildings and equipment	(264,020)	(16,531)
Net Cash Provided By (Used in) Investing Activities	(264,020)	23,469
Cash Flows From Financing Activities		
Proceeds from notes payable and long term debt	63,777	20,000
Payments on notes payable and long term debt	(128,925)	(20,136)
Net Cash Provided By (Used In) Financing Activities	(65,148)	(136)
Net Increase (Decrease) In Cash And Cash Equivalents	27,799	118,996
Cash And Cash Equivalents		
Beginning	127,070	8,074
Ending	\$ 154,869	\$ 127,070
SUPPLEMENTAL DATA		
Interest Paid	\$ 37,241	\$ 32,798

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Notes to Financial Statements

December 31, 2006

1. Nature of Activities and Significant Accounting Policies

Nature of Activities. The Church United for Community Development is a nonprofit Organization organized under the laws of the State of Louisiana to partner with government, schools, businesses and community organizations to improve the quality of life for its citizens by building strong families, providing education and training and teaching integrity, character and leadership. It operates principally in East Baton Rouge and Ascension Parishes, Louisiana.

Program services are supported through allocations received from contractual governmental support and grants from the State of Louisiana which amounted to \$781,624 and \$363,084 for the years ended December 31, 2006 and 2005, respectively. This amounted to 55% and 43% of total support and revenue excluding in kind contributions for the years ended December 31, 2006 and 2005. While the Organization depends on contractual governmental support and in kind contributions, future operating results are not contingent solely on the Organization's continuing ability to secure contracts and grants.

A summary of the Organization's significant accounting policies follows.

Public Support and Revenue. The financial statements are prepared on the accrual basis of accounting. Financial statements presentation follows the recommendations of the Financial Accounting Standards Board Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, non-profit organizations are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets are net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets are net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and /or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets are net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. There are no permanently restricted assets recorded in these financial statements.

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Notes to Financial Statements, Continued

December 31, 2006

Expenses. Program services expenses are the direct and indirect costs related to accomplishing the Organization's objectives. Supporting services are expenses for activities not directly related to the purpose for which the organization exists.

Functional Allocation of Expenses. The cost of providing various programs and supporting services have been reported on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the various programs and supporting services based on estimates made by management.

Cash and Cash Equivalents. For purposes of reporting the statement of cash flows, the Organization includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents on the accompanying statement of financial position.

Investments. The Organization has adopted Statement of Financial Accounting Standards No. 124, "Accounting for Certain Investments Held by Non-Profit Organizations," whereby investments in marketable securities with readily determinable fair market values and all investments in debt securities are reported at their fair values in the statement of financial position.

Concentration of Credit Risk. The Organization maintains cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits. At December 31, 2006, the Organization's bank balances exceeded FDIC insured limits by \$108,489.

Recognition of Contractual Reimbursements From State Government. The Organization receives most of its program support from federal and state government. The program recovers its costs on a contracted basis based on approved budgets. Revenues are recognized when services are performed.

Deferred Income. Deferred income represents advance payments on grants. These payments are recognized as income over the period earned.

Income Taxes. The Organization qualifies for taxation as a nonprofit Organization under §501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for income taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of §509(a) of the Internal Revenue Code.

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Notes to Financial Statements, Continued

December 31, 2006

Land, Buildings and Equipment. Expenditures for the acquisition of land, buildings and equipment are capitalized at cost. The fair value of donated furniture and equipment is similarly capitalized. Depreciation is computed by the straight line and accelerated methods over the following useful lives.

	Years
Office Equipment	3 - 7
Vehicles	3
Buildings and improvements	25 - 40

Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization's management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Donated Services and Non-Cash Assets. A significant portion of the Organizations functions are conducted by unpaid board members and volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria necessary for recognition. Contributions of donated non-cash assets are recorded at their fair values when received.

2. Note Receivable

The note receivable includes an unsecured demand note dated November 15, 2004, from The Lazard Group, Inc. with simple interest on the unpaid principal of 15% per annum.

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Notes to Financial Statements, Continued

December 31, 2006

3. Contractual Reimbursements

December 31, 2006	Contract Number	Contract Period	Total Contract	Recognized Support
U. S. Department of Labor	PE152490660	11/10/05-11/9/06	\$ 659,391	\$ 380,932
U. S. Department of Housing	LA48B404016	1/1/06 - 12/31/08	410,302	88,120
Family and Youth Services Bureau	16810100	7/1/03-6/30/06	316,096	293,201
Emergency Shelter Grants Program	598088	1/1/06-12/31/06		14,371
Department of Homeland Security	357800	1/1/06-12/31/06	5,000	5,000
				<u>\$ 781,624</u>

December 31, 2005	Contract Number	Contract Period	Total Contract	Recognized Support
State Office of Social Services	598088	7/1/05-6/30/06	\$ 11,730	\$ 5,184
State Office of Social Services	607089	12/15/04-08/31/05	147,316	64,723
Family and Youth Services Bureau	16810100	7/1/03-6/30/06	316,096	273,035
Department of Homeland Security	357800	1/1/05-12/31/05	7,000	7,000
Department of Labor	PE142490660	11/10/05-11/09/06	659,391	13,142
				<u>\$ 363,084</u>

4. Contractual Reimbursements Receivable

	2006	2005
U S DHHS-Family and Youth Services Bureau	\$ -	\$ 22,918
U S Department of Labor	16,339	13,142
	<u>\$ 16,339</u>	<u>\$ 36,060</u>

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

*Notes to Financial Statements, Continued**December 31, 2006***5. Land, Buildings and Equipment**

December 31, 2006	Cost	Depreciation Allowed	Net Book Value
Office Equipment	\$ 186,061	\$ 128,049	\$ 58,012
Buildings	565,659	30,896	534,763
Rental Property	230,682	19,212	211,470
Vehicles	44,829	24,259	20,570
Land	12,500	-	12,500
Total	<u>\$ 1,039,731</u>	<u>\$ 202,416</u>	<u>\$ 837,315</u>

December 31, 2005	Cost	Depreciation Allowed	Net Book Value
Office Equipment	\$ 176,328	\$ 101,982	\$ 74,346
Buildings	333,670	22,174	311,496
Rental Property	230,681	13,445	217,236
Vehicles	22,532	11,918	10,614
Land	12,500	-	12,500
Total	<u>\$ 775,711</u>	<u>\$ 149,519</u>	<u>\$ 626,192</u>

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Notes to Financial Statements, Continued**December 31, 2006****6. Notes Payable and Long Term Debt**

	2006	2005
Note payable to bank collateralized by building and land, interest at 8.75% payable interest monthly until July, 2021	\$ 265,638	\$ 275,375
Note payable to bank collateralized by building and land, interest at 7.23% payable interest monthly until March, 2011	61,977	-
Line of credit to bank with interest at 8.0% collateralized by accounts receivable	-	9,455
Three notes to bank with interest at 7.5% collateralized by property	-	105,409
Two notes to individual, with interest at 8% collateralized by property	73,186	75,710
Total	400,801	465,949
Less current maturities	84,813	190,574
Long term	<u>\$ 315,988</u>	<u>\$ 275,375</u>

Aggregate maturities required on long term debt at December 31, 2006 are as follows:

2008	\$ 12,643
2009	13,748
2010	14,950
2011	16,258
Thereafter	<u>258,389</u>
	<u>\$ 315,988</u>

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Notes to Financial Statements, Continued

December 31, 2006

7. Program Services

Transitional Housing. The Church United for Community Development operates a half way house for men in Gonzales called the "Ascension House". The program is designed to help men get reacquainted into society after being incarcerated or because of addiction to drugs or alcohol. The program teaches fathering skills, financial management, literacy, job skills and life skills. As part of the operation of the "Ascension House" the Organization opened a thrift store to provide supplemental funding and employment for the residents. In addition, the Organization received partial funding from the Department of Housing and Urban Development to build and operate a multi-family housing unit in Gonzales, La. The Organization used third party contributions to finance the remainder of the project. It was opened in December, 2006 and there are four units that will house homeless or near homeless individuals or families for up to twenty four months. Construction on a second unit was started in February, 2007.

Community Outreach. The Organization raises money from a variety of private sources to be used for community outreach programs. A weekly food distribution is done at various sites, transportation is provided to job sites, court and life skill classes, utility, doctor and hospital bills are paid for needy individuals and missionaries receive support from the Organization.

After School Tutoring. The Organization operates an after school tutoring program for students ages 12 to 18. The program is abstinence based and offers a culturally diverse recreation program as well as computer training and similar types of activities.

Employment Training. The Organization also operates a "Prisoner Release Initiative Program" (PRI). The program is designed to provide educational and vocational job training and job placement, to teach parenting and character development to improve family connections, and to increase the percentage of fathers who are supporting their children financially.

Literacy Training. The Organization classifies expenditures as literacy training for the cost of operating the "Donaldsonville Dream Center" in Donaldsonville, Louisiana and the "Melrose East Dream Center" in Baton Rouge, Louisiana and centers in St. Gabriel and Brusly, Louisiana. The "Dream Center" program teaches computer skills, financial management, adult literacy, provides after school tutoring, a GED program, a wellness program, parenting and child development, music and sewing and other programs for mothers and children. In addition, the program teaches intergenerational reading skills to mothers of preschool age children and preschool readiness. Another program teaches English to the Spanish speaking population in the areas served.

Low Income Housing. The Organization has purchased and remodeled homes to rent or sell to low income families. As of December 31, 2006, five homes are being rented.

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Notes to Financial Statements, Continued

December 31, 2006

8. Contributors and Related Party Transactions

The Organization is a diverse coalition of organizations including government, businesses, schools, faith-based organizations and community agencies.

Significant contributors can significantly influence management and operating policies of the organization. One of the most significant supporters of the Organization is the Healing Place Church of Baton Rouge, Louisiana (HPC). An associate pastor of HPC manages the day to day operations of the Organization and his salary is paid by HPC but he was also paid \$15,960 by the Organization. Also, the Organization's program manager and a grant writer are paid by HPC. Included in in-kind contributions and expense is \$38,000 and \$35,847 of salary expense for the years ended December 31, 2006 and 2005, respectively. Included in unrestricted contributions is \$119,739 and \$58,393 of cash contributions from HPC in the years ended December 31, 2006 and 2005, respectively. Included in rental expenses is \$2,100 paid to HPC in the year ended December 31, 2006.

The Organization also has the free use of other facilities that are used in the various programs. Included in in-kind donations and expenses is \$16,940 and \$27,050 of office and copy machine rent and telephone expense in the years ended December 31, 2006 and 2005, respectively. The Organization also received donated assets valued at \$0 and \$11,250 in the years ended December 31, 2006 and 2005, respectively.

The Organization also uses facilities in Baton Rouge, Louisiana, that were rented from an organization controlled by a former board member. That rent expense amounted to \$0 and \$9,900 for the years ended December 31, 2006 and 2005 respectively and is included in operating expenses.

The value of all in kind donations has been estimated by management to be \$54,940 and \$74,147 in the years ended December 31, 2006 and 2005, respectively. This is reflected on the statement of activities as in kind revenue and expense and is reported as:

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

*Notes to Financial Statements, Continued**December 31, 2006*

	2006	2005
Healing Place Church		
Salaries and benefits	<u>\$ 38,000</u>	<u>\$ 35,847</u>
Others		
Rent and utilities	16,940	27,050
Assets	<u>-</u>	<u>11,250</u>
	<u>16,940</u>	<u>38,300</u>
	<u>\$ 54,940</u>	<u>\$ 74,147</u>

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Supplementary Information

December 31, 2006

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2006

Federal Grants/Program Title	Contract Number	Federal CFDA Number	Program or Award Amount	Accrued Revenue at January 1, 2006	Cash Received	Revenue Recognized	Expenditures	Accrued Revenue at December 31, 2006
U.S. Department of Health and Human Services (HHS) Family and Youth Services Bureau	1H1DMC016810100	93.010	\$ 316,096	\$ 22,918	\$ 316,119	\$ 293,201	\$ 293,201	\$ -
U.S. Department of Labor (DOL)	PE142490660	17.261	659,391	13,142	377,735	380,932	380,932	16,339
U.S. Department of Homeland Security	357800-003	97.024	5,000	-	5,000	5,000	5,000	-
U.S. Department of Housing and Urban Development (HUD) Transitional Housing Pass-Through - State of Louisiana-Ascension Parish	LA48B404016 598088	14.235 14.231	410,302 -	- -	88,120 14,371	88,120 14,371	88,120 14,371	- -
				-	102,491	102,491	102,491	-
				\$ 36,060	\$ 801,345	\$ 781,624	\$ 781,624	\$ 16,339

See Notes to Schedule of Expenditures of Federal Awards

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT

Notes to Schedule of Expenditures of Federal Awards

December 31, 2006

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Church United for Community Development and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
The Church United for Community Development

We have audited the financial statements of The Church United for Community Development (a nonprofit organization) as of and for the year ended December 31, 2006 and have issued our report thereon dated June 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Church United for Community Development's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Church United for Community Development's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2006-1, 2006-2 and 2006-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that items 2006-2 and 2006-3 in the accompanying schedule of findings and questioned costs are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Church United for Community Development's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2006-1, 2006-2 and 2006-3.

The Church United for Community Development's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit The Church United for Community Development's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, the State of Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

PROVOST, SALTER, HARPER & ALFORD, LLC

Provost, Salter, Harper & Alford, LLC

June 27, 2007



Certified
Public
Accountants

Business
Advisors

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
The Church United for Community Development

Compliance

We have audited the compliance of The Church United for Community Development, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The Church United for Community Development's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of The Church United for Community Development's management. Our responsibility is to express an opinion on The Church United for Community Development's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Church United for Community Development's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on The Church United for Community Development's compliance with those requirements.

In our opinion, The Church United for Community Development complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2006-1, 2006-2 and 2006-3.

Internal Control Over Compliance

The management of The Church United for Community Development is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered The Church United for Community Development's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal controls over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an organization's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2006-1, 2006-2 and 2006-3 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the organization's internal control. We considered the deficiencies described in the accompanying schedule of findings and questioned costs as items 2006-2 and 2006-3 to be material weaknesses.

The Church United for Community Development's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit The Church United for Community Development's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Board of Directors, management, the State of Louisiana Legislative Auditor, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

PROVOST, SALTER, HARPER & ALFORD, LLC

Provost, Salter, Harper & Alford, LLC

June 27, 2007

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT*Schedule of Findings and Questioned Costs**Year Ended December 31, 2006***Section I – Summary of Auditor's Results****Financial Statements.**

Type of auditor's report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>Yes</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards.

Internal Control over major programs:	
Material weakness identified?	<u>Yes</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, § 510(a)?	<u>Yes</u>
Identification of major programs:	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>17.161</u>	<u>Prisoner Release Initiative</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low risk auditee?	<u>Yes</u>

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT***Schedule of Findings and Questioned Costs, Continued******Year Ended December 31, 2006*****Section II – Financial Statement Findings**

Item 2006-1 Controls over posting of expense transactions are in place and working properly, however, some files were misplaced.

Criteria. A filing system should be in place that assures security of accounting records.

Cause. Some expense records were misplaced.

Effect. Necessary documentation was unavailable for audit and is subject to disallowance.

Population and Items Tested. In a sample of 60 disbursements totaling \$46,056, one item for \$38 charged to the Community Based Abstinence Education grant did not have supporting documentation. One other item for \$219 was incorrectly charged to indirect cost and allocated to federal programs.

Recommendation. Develop a filing system for all documents.

Management's Response. Due to the office being moved several times during the year, some files were misplaced.

Item 2006-2 It is important that reconciliation of accounts is done periodically.

Criteria. Good controls consist of: (1) employees who have a proper understanding of bookkeeping; (2) correct posting of transactions; (3) periodic reconciliation of accounts; and (4) supervisory review of reconciliations.

Cause. There has not been a formal process for reconciling the general ledger accounts on a systematic basis.

Effect. The condition is such that transactions can be incorrectly posted or unauthorized transactions could be made.

Recommendation. Management should review existing policies and provide a system for periodic reconciliation of the general ledger.

Management's Response. Accounts are reconciled at year end. A policy to begin reconciling accounts on a quarterly basis will be instituted.

THE CHURCH UNITED FOR COMMUNITY DEVELOPMENT***Schedule of Findings and Questioned Costs, Continued******Year Ended December 31, 2006***

Item 2006-3 Financial statements are required to be prepared in accordance with generally accepted accounting principles.

Criteria. *Statement on Auditing Standards No. 112 (SAS 112), Communicating Internal Control Related Matters Identified in an Audit*, issued by the American Institute of Certified Public Accountants, requires auditors to report control deficiencies that relate to internal control over financial reporting as well as internal control over compliance.

Cause. The Church United for Community Development does not have personnel on staff with sufficient expertise and training to apply generally accepted accounting principles in preparing its financial statements.

Effect. The Organization is unable to prepare financial reports in accordance with generally accepted accounting principles.

Recommendation. Management should continue to evaluate the cost and related benefit of retaining personnel with technical expertise sufficient to prepare financial statements in accordance with generally accepted accounting principles.

Management's Response. The size of the Organization's accounting and administrative staff do not warrant retaining personnel with such specialized expertise. Management has determined it is most cost effective to request that the auditor assist with preparing year-end financial statements presented in accordance with generally accepted accounting principles.

Section III – Federal Award Findings

See Section II – Findings 2006-1, 2006-2, 2006-3 also apply to Federal Awards.

Section IV – Independent Auditor's Comment on Resolution of Prior Audit Findings

There were no prior year findings.